

MINUTES OF MEETING—April 1, 2010

A meeting of the Dedham Finance Committee was called to order at 6:44 P.M. on Wednesday, April 1, 2010 in the Lower Conference Room 26 Bryant Street, Dedham, MA.
Mr. David Martin, Chairman, presided.

MEMBERS PRESENT: David Martin John Heffernan, Derek Moulton, Susan Carney,
Kevin Young, William McKinney, and Laura Timmins

MEMBERS ABSENT: William Podolski, and Mark Driscoll

NEW BUSINESS

Mr. Martin, Chairman of the committee called the meeting to order, and asked Mr. Joyce for the Capital Committee recommendations for article 4 Capital Improvement budget. Mrs. Murphy said that there were two items added the first is item AR the Roof at Dexter \$225k, and AS Storage Sheds (Greenlodge, Oakdale, Riverdale), \$45k to be funded by lease payments.

Mr. Joyce spoke on the capital improvement process as to departments requests are processed through to the Town Administrator who reviews them and then goes about the business finding ways to generate for article 4. This year in addition to the Free Cash, Sewer Revenue, still open appropriation balances, and borrowing we have Mitigation Stabilization monies for items that departments had asked for which added up to \$540,796.00. This year the Capital Committee has a total recommended of \$18,015,796 of the \$29 million that was requested.

The Committee questioned what would be done with the \$160k recommended for a Financial Package of \$460k Mrs. Murphy said that would allow the department to get started with a working group, and also a consultant to assist us. She continued to say the financial package is not only the Finance Dept, it is also the Assessors, the Tax billing system it is everything, and this includes the Schools. Questions on the Police servers and Technology Div, Technology Program, Mrs. Murphy said in both cases we just ran out of money, in addition we are going to get everyone with technology requests in the same room and see what we can and cannot do. Questions on the items recommended through Mitigation were passed through the Capital Committee because all of these items were already approved.

Questions from the Committee as why more or less monies were not spent on mitigation was answered by Mr. Keegan, who said the committee went through there process and ended up with recommending that sum of money, it was decided by committee. Questions on the School Café was answered by Mr. La Francesca who said the cafeteria tables will be cleaned up and we want to finish the soffits in the ceiling, and back room equipment including new refrigerators. The Committee questioned School furniture and was answered by Ms. Doe. Questions on the Fire Dept protective clothing was answered by Mr. Joyce, he explained that this is turnout equipment and is part of their contract. Another question as to what is a capital item was answered by Mr. Reyes, saying that the item must be over \$10k, and a life lasting longer than three (3) years.

Mr. Martin asked for a summary of the ESCO project, and Mr. Roland Butzke the Siemens representative to speak on the energy savings contract. Mr. Butzke went through the costs we have now that is energy and operating costs now, and we are finding savings within your operating costs and providing you with instruction for improvements. He continued to say there are energy savings within our existing infrastructure that we cannot take advantage of, unless we make those improvements, Siemens in going to make those improvements and guarantee the energy savings and use the energy savings to pay for the improvements.

A question from the Committee was how long will it take to make up the \$12.5 million, and Mr. Butzke said it would take 20 years in a linear equation, and Mr. Keegan said that it could be possibly done in less time. Mr. Butzke continued to explain when I am doing energy savings and calculating a gallon of oil I am using today's numbers and escalates in a straight line manner, and we know that utilities do not escalate in a straight line. So when we forecast the cost of oil now we are saying that a gallon of oil is \$3 per gallon now, in 10 years it will be \$4.50 per gallon, but in reality oil will probably be a little higher, and there we have some substantial savings gained by the increase in the utility cost over time.

Committee members questioned the oil calculation, and Mr. Butzke said that reviewing the cost of utilities over time you can see that the prices have escalated, and I cannot predict that they will continue to do so. So when we do a cash flow for the project, we accumulate all of these improvements and value how much we are going to get in terms of unit of measure, and we and the Town of Dedham agree on a value in today's numbers of that kilowatt of electricity or a gallon of oil is. Then we escalate that at 3% at your discretion and that is the maximum that Siemens will go, and that is a conservative under the rate of inflation to show that there is some future value to those savings, but budgets will have to be recommended for the appropriate amount of savings. He continued to say that one is the cash flow how the savings are calculated over the 20 years, and the other is the reality of an exponential valuation. He continued to present a slide presentation starting with the current operating utility costs today if we do nothing these costs will escalate with the cost of the utility, when we do our work we find savings in the infrastructure.

Mr. Butzke said when we replace a boiler that is oil, and guarantees the fuel savings for that boiler, we replace light fixtures and guarantee the electricity savings, we put all of these together in a project and there are multiple measures that go into the project. He continued saying that we guarantee those savings, and that becomes the annual payment to pay for the work, what happens we have reduced utility costs this is the savings and that becomes the investment of your annual payment for the work. He continued to say that Siemens is paid as a general contractor, in essence they get paid to develop, design, and construct the work and we are involved in whatever level maintenance that is agreed to be done. This is a different procurement process here Siemens (ESCO) and they through the legislation have the responsibility to develop the work, and then the design which is being done now, and guarantee that work, and by law Siemens has to guarantee the savings.

Mr. Keegan and Mrs. Murphy responded to questions from the Committee, in addition Siemens will be generating a report on an annual basis that shows the guaranteed savings and this report is reviewed by a third party consultant, and the Dept of Energy Resource. Mr. Butzke said that Siemens will install an energy management system a computerized control system that will interact with all of the buildings municipal and school this will help operationally because it will one source of information where someone can interact through the system to adjust a control at a specific site. He continued to say that Siemens will be reviewing information on a weekly basis as to how the systems are working, and if there is a situation where the Town can have additional savings, Siemens will make a no-cost change to our system. If however the Town should be adding a piece of equipment as a capital investment then Siemens will document that and recommend and inform the Town of a valid improvement.

Committee members questioned Mr. Butzke on the annual savings to the Town, and he said that the guarantee would be no cost to the Town with some annual savings. In addition, after 20 years the savings will continue with some replacement of equipment that has gone through its useful life. Mr. Butzke said if this was done on a piece meal basis you would end up breaking up that savings, and not have the savings to pay for the work.

Mr. Martin responded to Committee members questions to Mr. Butzke and said that the contract guarantees theoretically a certain amount of savings and there is no cost to the Town. Mr. Joyce Chair of the Capital Expenditures Committee spoke on the vote (4-1) taken by the Capital Committee.

Mr. Naser Chair of the BPCC spoke on the opportunity we have with the expertise of engineers who have technical backgrounds, coming into the Town and checking all of building systems and we can achieve more than just the financial savings by hiring ESCO and going forward with this project.

Mr. Martin adjourned at 7:43 PM, and continued the meeting to Saturday, April 3, 2010, 9:00am, and asked Committee members to review the material that was received tonight, and will give everyone a chance to ask questions before we deliberate on Tuesday, April 6.

Respectfully submitted,

William Marroncelli

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